Fiscal Note 2011 Biennium

Governor's Office of Budget and Program Planning

Bill #	SB0506	**Title:**	Uniform local option tourism tax
Primary Sponsor:	Essmann, Jeff	**Status:**	As Introduced

- ☑ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	$0	$0

Description of fiscal impact:

This bill would allow any local government to implement a 4% local option sales tax on the retail value of all tourism goods and services sold within the boundaries of each jurisdiction. The local option sales tax revenue would be used to offset local property taxes and shared within each region.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. If passed, municipalities, counties and consolidated city-county local government jurisdictions would be allowed to submit to the electorate a 4% local option sales tax on the retail value of all tourism goods and services. If passed in the jurisdiction, the revenue raised by the local option sales tax would be used to offset property taxes, used to fund local government and shared with the rest of the tourism region.
2. The Department of Revenue (DOR) does not have any responsibility to administer the local option sales tax, so there will be no collection or audit costs incurred by the department.

3. The federal income tax allows taxpayers to deduct sales tax or state income tax from income. It is assumed that some taxpayers would be able to claim a larger deduction for sales tax than income tax, reducing their state income tax liability. Because this is only expected to be a few taxpayers and they can already claim a deduction for state income tax, the impact to the state general fund will be immaterial.

Effect on County or Other Local Revenues or Expenditures:

1. The department has a sales tax model based on the 2002 economic census, consumer expenditure data and the population estimates from the U.S. Census.
2. Using the sales tax model, if all retail sales of tourist goods and services in the state are subject to the 4% local option tax, local governments would generate $92,456,317 in FY 2010, $96,902,007 in FY 2011, $101,554,410 in FY 2012 and $106,413,443 in FY 2013.
3. Local government mills would be required to be reduced through the local option sales tax collection designated for property tax relief.
4. If the counties with the seven largest population centers pass the local option sales tax, it is assumed that this would raise $57,336,447 in sales tax revenue in FY 2010, $60,092,426 in FY 2011, $62,978,596 in FY 2012 and $65,991,908 in FY 2013. Part of this revenue would be used to directly lower mills and portion would be shared with other local governments in the tourism region.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*